DOCUMENT RESUME

ED 389 447 PS 023 816

TITLE	Huge Increase in Day-Care Workers: A Result of Multiple Societal Changes.
INSTITUTION	Bureau of Labor Statistics (DOL), Washington, D.C.
PUB DATE	95
NOTE	30p.
PUB TYPE	Reports - Research/Technical (143)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Access to Education; Child Caregivers; *Day Care; Early Childhood Education; Economic Factors; *Educational Change; Educational Development; Educational Economics; Educational Supply; Educational Trends; Employed Parents; *Enrollment Influences; Family Work Relationship; Financial Support; Mothers; Preschool Teachers; Teacher Salaries; *Teacher Supply and Demand
IDENTIFIERS	Affordability; Project Head Start

ABSTRACT

Using Bureau of Labor Statistics estimates of employment in day-care establishments, this study analyzes changes in day care over the past 20 years. Growth in day-care employment has been much stronger than that of other industries. Since 1972, employment has increased by nearly 250 per cent. Causes of growth includes changing trends in enrollment and staffing ratios. Increased enrollment can be inferred from a variety of measures, including an increase in the child population; changes in family composition which have resulted in more single-parent families; and an increase in the number of working women. There are also factors which enable more children to attend day care programs. In particular, day care has become more affordable. This has been the result of increased government funding of day care; the growth of Head Start and other programs for children from low-income families; an increase in state and local initiatives for the further establishment of day care; tax breaks related to day-care expenses; and private initiatives stemming from both corporate and non-profit efforts to increase accessibility to day care. Another mitigating factor is the low cost of labor in the day care industry. (JW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ED 389 447

Huge Increase in Day-Care Workers: A Result of Multiple Societal Changes

In the last 20 years, the number of employees in the day-care industry has increased at a much faster rate than working mothers; five major factors are responsible

William Goodman

The daily life of U.S. pre-school children has changed vastly in the last 20 years. Mother and child now spend much less time at home, as mothers of young children are far more often employed.[1] Furthermore, an increased number of other relatives--especially women--also are employed, and less free to spend time with nephews, nieces, young cousins, and grandchildren. For these reasons and others, young children far more often go to day care centers. During the 2-decade span, employment in private-sector day-care centers increased by over 250 percent, gaining almost 400,000 jobs and continuing to grow during two of the four recessions in the period. No single factor influencing the day-care industry and examined in this article has trends which consistently behave like the growth of employment in the industry. Instead, a combination of at least five major factors drives demand for the services of child-care centers.

Scope of study

This article will utilize, primarily, estimates of employment in day-care establishments from the Bureau of Labor Statistics' monthly survey of employers.[2] For purposes of the survey, the child day-care industry includes private-sector "establishments primarily engaged in the care of

---

[1]See Howard V. Hayghe, "Are women leaving the labor force?" *Monthly Labor Review*, July 1994, pp. 37-39.

[2]These statistics are from the Current Employment Statistics (CES) program of the Bureau of Labor Statistics. The CES program produces estimates of employees on all nonfarm payrolls except in private households, based on a monthly survey of about 390,000 work sites. Data from the survey appear in the Bureau's monthly periodical *Employment and Earnings*. CES data in this article are seasonally adjusted unless otherwise indicated.

PS 023816

BEST COPY AVAILABLE

infants or children, or in providing pre-kindergarten education, where medical care or delinquency correction is not a major element."[3] This definition allows the inclusion of large and small companies, existing for profit or for other purposes, such as social good. Secular and religious non-profit organizations and for-profit companies are therefore included in the day care industry.

A few significant exclusions are made, however. Government day care--for example, day-care centers within public school systems, or provided by government agencies for their own employees--is not included in the child day-care industry data presented here unless a separate, private organization performs the work of the center. In addition, when day care is provided on-site directly by an employer for its own employees' children, without the use of a contractor but as a company-owned operation, the day-care personnel are not included in the day-care industry. When care of children is offered by an individual at their own residence, without the use of any employees, the provider is not counted, as the survey measures only employment on payrolls as opposed to self-employment. Nannies, and in fact all domestic workers, are also excluded from the survey.

Because of the various exclusions, the estimates under study do not represent all child-care workers in the country. Trends in government day care, child care provided by employers for their own employees' children, care by domestic workers in the child's home, and care by an entrepreneur working in her own home may not be exactly the same as the trends of private-sector day-care centers. An abundance of anecdotal evidence, however, suggests that day care provided directly by employers for their own employees' children is growing fast.[4]

Employment in the day-care industry as estimated from the survey includes not only employees caring for children but all employees of day-

---

[3]Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual* (Springfield, Va.: National Technical Information Service, 1987), p. 395.

The inclusion of the education of the very young is appropriate, as no definite line between care and education can be drawn--many day care centers include education in their program, and in earliest childhood, play and learning cannot be distinguished clearly.

[4]See, for example, Barri Bronston, "Child Care is Part of the Job," *The Times-Picayune* (New Orleans), June 14, 1993, p. C1.

care companies. According to the Bureau's Occupational Employment survey, 8 percent of the industry's employees are managers or administrators, 15 percent are clerical workers, 33 percent are teachers, and 25 percent are child-care workers. The remaining 19 percent are widely scattered among a variety of other occupations.[5]

Trends in day-care jobs

Growth in the industry since 1972 has been much stronger, on a percentage basis, than the growth of most industries, with an overall gain of approximately 250 percent, or 375,000 jobs. Growth occurred almost throughout the 22-year period, with the exception of the early eighties, in which two recessions occurred. From early 1979 to summer of 1982, 30,000 jobs were lost in day care. Renewed growth from fall 1982 to mid-1985 brought the number of jobs above the preceding peak, and strong growth has continued ever since. Unlike most industries, child day care continued to grow vigorously during the 1973-75 and 1990-91 recessions. Explanations for these movements, including the seemingly inconsistent behavior in the various recessions, will be discussed in later sections.

Other estimates and their trends

As previously mentioned, estimates of employment from the monthly BLS survey of employers are used in this paper as the main measure of growth in employment. One advantage of this series of estimates is its relatively long history, starting in 1972 and continuing into mid-1995. Other relevant estimates exist; in most cases, they differ in both scope and trend. Their indications are the subject of this section.

The Bureau of the Census produces estimates of employment by industry, based on various Census Bureau sources and published annually in *County Business Patterns*.[6] Day-care services were first estimated in this program in 1988, and estimates for the industry have

---

[5]From an internal document of the Bureau of Labor Statistics, Office of Employment and Unemployment Statistics, April 1993.
[6]Washington: U.S. Government Printing Office, annually.

now been produced through reference year 1992. The Census estimates, like the ones from the BLS survey of employers, are based on the definition of a day-care establishment quoted earlier and exclude government establishments from the sector. Over the four-year span, this series, like the BLS survey of employers, shows growth, but not as much growth. The Census program indicates a gain of 55,000 employees, or 15 percent, over the four years. The BLS series from the survey of establishments shows an increase of 27 percent in this period.

The Current Population Survey[7] of households also estimates employment in the child day-care industry, starting in 1983. The industry as defined in this survey, however, is broader than child day care as defined for purposes of the two surveys of employers. The initial level of employment from the household survey was 418,000 in 1983, when the BLS survey of establishments showed employment of 284,000.

The industry as more broadly defined in the household survey apparently includes segments which have grown even faster than the employment included in the establishment surveys. From 1983 to 1993, the broader measure of day-care employment more than doubled, gaining 465,000 jobs, or 110 percent, as the BLS establishment survey showed a gain of 67 percent.

The household-survey estimates of employees in the day-care industry include government employees and self-employed workers as well as private-sector wage and salary workers, the only ones included in day care in the two aforementioned surveys of employers. These inclusions partially explain the differences in numbers of employees, but the household survey's estimates of private wage and salary workers in the day-care industry are larger and faster-growing than those of the BLS establishment survey. One reason for the differences in initial level and trend is related to the surveys' different methods of determining the industry classification of workers. In the household survey, the classification of workers by industry is based on individuals' descriptions

---

[7] The Current Population Survey produces estimates of all civilian employment and unemployment, as well as other demographic estimates, based on a monthly survey of 60,000 households. Results of the survey appear in the monthly periodical *Employment and Earnings*. Results for time periods after 1993 are not comparable to earlier results because of changes in methodology and population weights used.

of their places of work. Many large employers in industries other than day care now provide on-site day care centers as a convenience to their employees. The day-care workers at such on-site centers will be assigned to the day care industry for purposes of the household survey if they describe their place of work as a day-care center. But when the day-care workers are directly on the payroll of the main establishment, as opposed to that of a separate entity, the BLS survey of employers will assign them to the main industry classification of the entire establishment.

The household survey also offers estimates of employment by occupation, including child-care workers outside of private households and, separately, child-care workers within the child's home. (These categories are not exhaustive of workers supervising pre-school children, because many employees of centers are pre-kindergarten teachers, a category not distinguishable in the survey from kindergarten teachers and therefore not usable for our immediate purposes.) From 1972 to 1993, individuals employed in the occupation of child care worker not in the child's residence increased from 358,000 to 1.0 million. (The trends of child care workers employed in the child's home will be discussed in a later section, in connection with changes in the family.)

All of the surveys agree in indicating substantial increases in the day-care center industry or parts of it. Rates of growth range from 4 percent per year, in the case of the Census data, to 8 percent per year in the case of the broad industry series from the household survey. The industry estimates from the BLS establishment survey, which are the main source of employment data for purposes of this paper, increased by 6 percent per year, on average, from 1972 to 1994.

Causes of growth: trends in enrollment and staffing ratios

One starting point for an analysis of the growth of employment in day care is to distinguish growth attributable to greater enrollment from the effects of changes in the ratio of enrolled children to staff. Smaller numbers of children per staff member are considered desirable for the sake of the quality of care. Consistent, regularly timed estimates of the ratio of enrollees to staff have not been made. One publication,

however, calculates that the average ratio of children to caregivers and teachers in *full-time* (7 hours per day or more) centers *increased* considerably, from 6.8 to 8.5 children per worker, between 1976 and 1990.[8] Because a staff member supervised more children in the later year, the change in the ratio is a downward influence on employment . If the ratio had remained unchanged, employment in 1990 would have been greater by 110,000 in full-time centers alone.

Because fewer staff members now handle the same number of children, increases in enrollment must account for the employment of larger numbers of teachers and child-care workers in the industry. Consistent measures of total enrollment of children in day care, at regularly timed intervals, also are not available.[9] As will be seen in later sections, however, an abundance of indirect evidence indicates tremendous growth in enrollment. In addition, one source concludes that enrollment in *full-time* early education and care increased from 900,000 children in the mid-seventies to 3.8 million in 1990.[10]

Why enrollment grew

Growth in enrollment resulted from the combined effects of several factors. Most obvious is an increase in the population of children. But growth in the percent of children who are in day-care programs has had much more influence. The increasing percentage of children enrolled in centers reflects large gains in the number of their mothers who have jobs.

U.S. population of youngsters. In 1990, children under 6 accounted for 74 percent of day-care enrollment. To be more specific, children of 3 to 5 used day care especially heavily and were responsible for 52 percent

---

[8]*A Profile of Child Care Settings: Early Education and Care in 1990*, vol. I, p. 212.
[9]Comparable estimates of total enrollees in day care for considerably separated points in time will soon be available, however. The National Center for Education Statistics of the U.S. Department of Education is now conducting the 1995 National Household Education Survey which, like the 1991 and 1993 surveys of that name, will generate an estimate of national enrollment in day care, as well as many other statistics relevant to early learning.
[10]Ellen Eliason Kisker, Sandra L. Hofferth, Deborah A. Phillips, and Elizabeth Farquhar, *A Profile of Child Care Settings: Early Education and Care in 1990* (Princeton: Mathematica Policy Research, Inc., 1991), vol. I, p. 208.

of enrollment.[11] (See table 1.) While the growth in the populations of these age groups has been gradual, at 1 to 3 percent per year, the aggregate growth since 1972 has been large. From 1972 to 1994, the number of children under 6 increased by 3.0 million. (See table 2 and chart 1.) Three-to-5-year-olds increased by 1.6 million.[12] If the ratio of day-care center employees to all children under 6 is held constant at the 1972 rate, the increase in the under-6 population implies relatively slight growth in employment, of 22,000 day-care employees, or just 6 percent of actual growth. Clearly, change in these populations are only a minor factor in the expansion of the industry. Evidently, additional factors strongly affect demand.

Changes in the family. Children of working mothers are enrolled in centers as a primary arrangement for care almost twice as frequently as children of mothers without jobs. As of 1990, if school is excluded as a child-care arrangement, 17 percent of children under 13 with employed mothers were enrolled in a center as their primary arrangement; among children under 13 with mothers who did not hold jobs, 9 percent were enrolled in centers as a primary arrangement.[13] The number of women at work, and the proportion of them at work, has increased greatly in the last 20 years. (See table 2 and chart 1.) In 1972, 41 percent of U.S. women worked. In 1993, 54 percent of them were at work.[14] Among mothers of children under 6, 33 percent worked in 1975. In 1993, 53 percent of them were employed. Even the mothers of children under 3 greatly increased their participation in employment, from 28 percent in 1975 to 49 percent in 1993. (See table 1.)

In 1975, 16 percent of mothers with children under 6 had no spouse present in the household; in 1993, 26 percent had no spouse with them.[15] One might expect that the absence of a working husband from the household would be a major explanation of why more mothers

---

[11]Sandra L. Hofferth, April Brayfield, Sharon Deich, and Pamela Holcomb, *National Child Care Survey, 1990* (Washington: The Urban Institute Press, 1991), p. 31.
[12]Population figures in this article are from the Bureau of the Census P-25 series of publications and PPL-21.
[13] *National Child Care Survey, 1990*, p.29.
[14]Statistics on working mothers in this article are from the Current Population Survey. Results for time periods after 1993 are not comparable to earlier results because of changes in methodology and population weights used.
[15]Data from the Current Population Survey.

of young children are at work, but in fact mothers with a husband in the household increased their jobholding far more. Between mothers of young children who had husbands with them and those who did not, the percentages at work were fairly close in the mid-seventies; but the group with spouses present increased in percentage employed greatly, while the group without spouses present increased only slightly in percent employed. Exact percentages, derived from Current Population Survey data, are shown in the following tabulation.

Year	Percentage of population employed			
	Mothers of children under 6		Mothers of children aged 3 to 5	
	With spouse in household	Without spouse in household	With spouse in household	Without spouse in household
1975	32	42	37	49
1993	56	44	60	55

Changes in needs and preferences which caused more of these mothers to go to work affected the group with a husband in the household far more than the group without a husband present. The group with a spouse present is also much larger. Mothers living with their husbands, therefore, made the far heavier contribution to the increased employment of mothers of young children.

The number of working women is doubly important as a factor in the demand for child care, because not only mothers but also other relatives who might otherwise be available to watch children[16] become unavailable as a greater percentage of the population becomes employed. From 1972 to 1993, the overall employment-population ratio increased from 57.0 percent to 61.6 percent. While the employment-population ratio of men decreased by 5 percent, the ratio among women increased by 13 percentage points to 54.1 percent. In the first 2-3/4 years of the latest

[16]Donald J. Hernandez and David E. Myers, "Family Composition, Parents' Work, and the Need for Child Care among Preschool Children: 1940-1987," (Population Association of America annual meeting paper, 1987), p. 5.

post-recession period, from early 1991 to the end of 1993, job growth among women was greatest in the 45-to-54-year-old group. Seventy-two percent of women in that age range were employed at the end of the period[17]--implying that a great many grandmothers and older aunts are not as free as they once were to watch children during the day.

While no comprehensive, clear statistics show a shift from care by relatives to care in centers among all children, the Census Bureau has estimated use of various child-care arrangements by families with working mothers and children under 5 in various years. The results indicate that from 1977 to 1991, care in organized child-care facilities rose from utilization by 13 percent of such families to 23 percent while care by relatives other than parents dropped the most, from 31 percent to 24.

Furthermore, 1991 results appear to have been influenced by the recession and the continued post-recession decline in employment. An abnormally large number of laid-off relatives may have been temporarily available to take care of children in 1991. Results from 1990, when employment was not so abnormally depressed, may better typify the nineties. Indeed, 1990 shows more care in centers and less care by relatives than in 1991. From 1977 to 1990, care in centers more than doubled, increasing from 13 percent to 28 percent, as opposed to 23 percent in 1991. The following table summarizes results.[18]

---

[17]Data from the Current Population Survey. Data after 1993 are not comparable to earlier data because of changes in methodology and population weights used.
[18]Lynne M. Casper, Mary Hawkins, and Martin O'Connell, *Who's Minding the Kids? Child Care Arrangements: Fall 1991* (Washington: U.S. Department of Commerce, Bureau of the Census, 1994), pp. 6, 7.

Primary child care arrangement in families w/ children under 5 and working mother	Percent utilization			
	1977	1985	1990	1991
Care by father	14	16	17	20
Care by relative other than parent	31	24	23	24
Care by non-relative in child's home	7	6	5	5
Care by non-relative in another home	22	22	20	18
Organized child care facility	13	23	28	23
Care by mother at work	11	8	6	9

The indicated drop in care by non-relatives in the child's home is confirmed by the household survey's estimate of child-care workers in children's homes. This estimate shows a 37 percent drop, representing a reduction of 200,000 workers, from 1972 to 1993. The reduced utilization of child-care workers in the parents' home is a factor relevant to greater demand for the services of centers, but exactly how the two trends are related is not clear. The greater availability of child-care centers may decrease the need for household workers. Alternately, household workers may be less desired by families than in the past. Or, with much larger proportions of women entering occupations in the executive, administrative, managerial, and professional specialty categories,[19] a smaller proportion of women may be available for lower-paying jobs, so that household help may be harder to find.

Factors enabling more children to go to centers

After 13 years of fairly steady strong growth, the number of working mothers with children under 6, as well as those of children from 3 and 5,

[19]From Current Population Survey data.

seems to have about leveled off in the nineties,[20] but day-care workers continued to increase about as steeply as ever. (See chart 1.) One additional, earlier time period shows contrasting trends. From 1979 to 1982, as the number of working mothers increased strongly, day-care workers declined. The differences in trend during these two time periods indicate that other factors have important effects on the number of day-care workers.

Certain developments have made day care more affordable to many families. By in effect lowering the price of day care, these trends have made working more practical for some mothers of young children, so that more young mothers may have started working as a result.[21] These developments also may have increased the popularity of day-care centers as opposed to other available arrangements for child care, among both working mothers and mothers without jobs.

Government funds for child care. Several large federal programs provide a combined total of billions of dollars for the care and education of young children outside the home, and the funds provided in certain large programs have increased greatly in recent years. The four largest relevant federal programs alone entail fiscal year 1994 funds of over $5 billion for the purpose.

Project Head Start is the most heavily funded of these programs, with 1994 appropriations of $3.3 billion. Local employment in Project Head Start is largely in the private sector because the program funds local private organizations, as well as local government agencies, which perform the actual work. Head Start is intended to provide comprehensive care of poor or disabled children. Although the project began in 1965, its funding was suddenly increased in 1990 and continued to increase greatly in each subsequent year through 1994. Table 2 shows enrollment in Project Head Start in conjunction with all private-sector day care employment. Chart 2 compares the program's appropriations with growth in private-sector child care jobs.

---

[20]For further information, see Howard V. Hayghe, "Are women leaving the labor force?" *Monthly Labor Review*, July 1994, pp. 37-39.

[21]Jonathan R. Veum and Philip M. Gleason, "Child care: arrangements and costs," *Monthly Labor Review*, Oct. 1991, p. 14.

Not only Head Start but also federal spending for young children in general was expanded to a major extent in 1990 when, for the first time, comprehensive legislation regarding child care was passed. As in Project Head Start, Federal funds in other major programs are ultimately used to a great extent to purchase the services of private child-care organizations. The Child Care and Development Block Grant, which originated in 1990, provides funds to the States for care of the children of poor families and to improve the quality of care. Some $2.5 billion was appropriated for the first 3 years, and, in 1993, the fiscal-year funding rose from $825 million to $893 million. Funding remained at that level in 1994.

The "At-Risk" Child Care Program also was created in 1990. It is designed to provide care for children of families "at-risk" of going on welfare. States must provide matching funds to receive Federal money, which has been available at the level of $300 million per year so far.

The Family Support Act Child Care Programs started slightly earlier, in 1988. The Federal government distributes money to the States to provide child care for the children of parents receiving AFDC benefits and working, looking for work, or in approved education or training programs, as provided under the Job Opportunities and Basic Skills (JOBS) program. The Family Support Act also provides funds for care of the children of parents who have increased their earnings and have been able to leave AFDC rolls within the past year. Funds for these Family Support Act programs almost doubled from fiscal year 1992 to fiscal 1994, when $745 million was available.

In addition to Federal initiatives, State and local governments provide many programs of child care. The level of spending per child varies greatly by State.[22] In addition to programs for poor children and others in the public at large, state governments frequently fund on-site day care for the children of public employees by setting up a private, not-

---

[22]Information on federal and other government programs from *The State of America's Children Yearbook* (Washington: Children's Defense Fund, 1994), pp. 29-32, *The State of America's Children 1992* (Children's Defense Fund, 1992), pp. 15-22, and *Child Care and Development Key Facts* (Children's Defense Fund, 1994), pp. 13-17.

for-profit corporation which then runs the center and is not charged rent.[23]

Chart 3 compares real Federal spending on the broad category of education, training, employment, and social services with employment in the day care industry. This broad category of Federal spending is relevant because as State governments receive more federal funds, their own revenues may become free to spend for various purposes. Conversely, when Federal aid to States and localities is cut in any category, the State or local government may find it necessary to reallocate funds from another area of spending.

The solid curve on chart 3, representing the number of employees in the day-care industry, shows a decline in the early eighties, when two recessions occurred, even though two other recessions, one in the mid-seventies and one in the early nineties, had no apparent effect on day-care employment, which continued to grow vigorously. U.S. outlays for education, training, employment, and social services, adjusted for inflation, represents the first related statistic examined so far which may explain why employment in the industry dropped in the early eighties but not during the other recessions. As shown in chart 3, large cuts in Federal social spending were made during the first Reagan Administration. In contrast, this broad category of federal spending declined to a far lesser extent during the mid-seventies recession and increased during the 1990 to 1991 recession. As increases in such federal spending occurred from 1975 to 1979 and again from 1987 to 1993, large expansions in the day care field were at a pace clearly in excess of growth in the relevant populations of children and in jobs held by their mothers.

Tax breaks. In addition to explicit Federal spending, several U.S. tax provisions enable families to afford day care more easily, or at all. Perhaps the most important tax change is the start and expansion of the Earned Income Credit, which began in 1975 and was increased to a major extent in 1990 and again in 1993. Although a small amount of this credit can be claimed by low-income taxpayers with no children, it

---

[23]Barbara Adolph, "Work and family benefits come of age," *Government Finance Review* (Oct. 1992), p. 46.

benefits primarily lower-income families with children. A credit of up to about $2,500 goes to taxpayers with earnings at or below $11,000. The Earned Income Credit is unique among tax credits because when the amount claimed by a taxpayer exceeds their income tax liability, a check for the balance is sent to them. The total amount claimed each year under this credit has more than quintupled since 1975, even after inflation, partially because of a multitude of revisions in the applicable tax rules, especially in 1987, 1990, and 1993. (See chart 4.) While no provision of the credit specifically provides for day care, the credit is emphasized in literature concerning the financing of the care of young children. Of the $20 million claimed by taxpayers under the Earned Income Credit in 1994, including $17 million actually paid to individuals in excess of their tax obligations,[24] it seems inevitable that significant amounts were spent on day care. Low-income families do use day care facilities; even among children in families below the poverty line in which the mother works, 18 percent attended organized day care facilities in 1991.[25]

The Dependent Care Tax Credit benefits primarily a more middle-income group of families; in 1992, this credit was claimed to the greatest extent by families with incomes between $20,000 and $50,000. The credit can be claimed on the basis of expenses incurred for the care of dependents if the care is necessary for the taxpayer to be employed. The annual amount claimed by taxpayers about tripled from 1976 to 1988, after adjustment for inflation. In 1988, changes to tax provisions removed credit for the care of children over 13 and reduced the amount of expenses which could be claimed, and the aggregate annual amount claimed by taxpayers suddenly dropped and remained at roughly the same level through 1994, according to projections. The amount claimed in 1994, however, was still 85 percent above the 1976 level after adjustment for inflation.[26] (See chart 4.)

---

[24]U.S. House Ways and Means Committee, *Overview of Entitlement Programs* (Washington: U.S. Government Printing Office, 1994), pp. 699-704.
[25]Lynne M. Casper, Mary Hawkins, and Martin O'Connell, *Who's Minding the Kids? Child Care Arrangements: Fall 1991* (Washington: Bureau of the Census, 1994), p. 14.
[26]U.S. House Ways and Means Committee, *Overview of Entitlement Programs* (Washington: U.S. Government Printing Office, 1994), pp. 705-7.

Since 1981, certain employer-provided dependent care has been excluded from an employee's gross income for federal income tax purposes. Such dependent care may be provided in the form of on-site or nearby child care facilities, reimbursement of employees for child care expenses, or reimbursement accounts which are also usable for other nontaxable employee benefits. Many employers offer such benefits; in 1993, 40 percent of full-time employees of medium and large private establishments were eligible for reimbursement accounts which could be used for dependent care.[27]

Private initiatives. Both corporate and non-profit organizations have made significant efforts to provide day care where a need has been perceived. The organizations involved include major corporations, religious organizations, and other non-profit organizations. They are diverse; for example, some of the names repeatedly mentioned in the media include IBM and the Annandale (Va.) Christian Committee for Action.

Employers sometimes run their own day-care centers for employees and in other cases arrange a contract with a for-profit or nonprofit child care organization. In at least a few cases, the service is also made available to non-employee community members. Other companies reimburse parents' expenditures on day care or arrange discounts. Consortiums of employers, in some cases also including labor unions, have started day care centers which are located reasonably near several places of work.[28]

Cost of day care and effects on employment

The average hourly pay in 1994 for production or nonsupervisory employees was $11.12 for the private sector as a whole and was $6.83 in the day-care industry. From 1972 to 1994, average hourly pay of workers in the industry, excluding managers, adjusted for inflation,

---

[27]Bureau of Labor Statistics, *Employee Benefits in Medium and Large Private Establishments, 1993* (Washington: U.S. Government Printing Office, 1994), pp. 5, 6.
[28]*The State of America's Children 1992*, pp. 23, 24; *Child Care and Development Key Facts*, pp. 17-19; and Barri Bronston, "Child Care is Part of the Job," *The Times-Picayune*, (New Orleans, June 14, 1993), p. C1.

declined by 10 percent.[29] The cost of labor in day care centers, then, is relatively inexpensive and has become less expensive over the years.

Despite the decrease in real earnings of day care workers, the price of day care to consumers, as estimated in the consumer price index series, rose more rapidly than general inflation in the last few years. An index of day-care prices was first produced for a complete year in 1990. From 1990 to 1994, day care prices rose by 20 percent while overall consumer prices for all urban consumers rose by only 13 percent. Tax breaks and government and private day-care programs which deliver care at a below-market price, as in Project Head Start, reduce costs to parents and partially explain the huge growth in day care use despite its relatively rapid inflation. The comparatively low cost of employing day-care workers further explains the rapid growth of jobs in the industry.

Future outlook

While the future trends of most of the forces which have driven employment in the industry cannot be predicted with confidence, extensive population projections are available from the Bureau of the Census. These projections show a pattern of deceleration followed by decline in the population of young children. In the recent past, this population has been not only increasing but also accelerating in growth. The table below shows recent and projected percent changes in the U.S. population of young children:

Time period	Percent change in population	
	Three to 5 years old	Under 6 years old
1983-88	+6.2%	+4.7%
1988-93	+7.7	+7.6
1993-98	+4.8	+0.1
1998-2003	-2.9	-2.1

[29]From CES data.

As can be seen, the recent relatively strong gains in the most relevant age groups are forecast to decelerate by 1998; and these populations will fall by 2003.

While final Federal budget figures for fiscal year 1996 and later are not yet available, the change in Federal child-care spending from 1994 to 1995 is to depart from the trend of the last few years. Federal child-care spending on certain major programs jumped by 84 percent in 1991 after the JOBS Child Care, Transitional Child Care, and Head Start programs were expanded, and the "At-Risk" programs and the Child Care and Development Block Grant were created. Since then, the combined funding of these programs and Project Head Start has been increasing by about 20 percent per year. In 1995, however, their combined funding is to grow by only 3 percent.

Amounts claimed under the Federal Earned Income Credit are projected to grow vastly, by 89 percent, from 1993 to 1996. But even this growth represents a slight deceleration, as the amount claimed increased by 91 percent from 1990 to 1993.[30]

Both projected changes in population and projected federal spending, then, show deceleration in the near future as the aggregate amount of the Earned Income Credit increases at about the same rate as in recent years. These outcomes suggest deceleration in day-care employment. The eventual decrease in the population of young children suggests a greater deceleration or decline in employment in the industry. While the percentage who have jobs among mothers of young children has leveled off in the last few years, the future percentage of this group to be employed is unknown.

Summary

The number of workers in the private day-care industry has more than tripled since its employment was first estimated in 1972, increasing by almost 400,000 jobs. The industry has been influenced by the increasing population of children; the dramatically climbing percentage

---

[30]Figures from U.S. House Ways and Means Committee, *Overview of Entitlement Programs* (Washington: U.S. Government Printing Office, 1994), p. 704.

of mothers of young children, and other women, with jobs; Federal, State, and local government spending on child care; increased Federal tax breaks for families with children; and many private initiatives to provide needed day care. At least two of these factors, however, will not continue to increase so rapidly. Federal spending on certain major child-care programs is to decelerate from fiscal 1994 to fiscal 1995, although it may possibly accelerate afterwards. Growth in the U.S. population of young children will decelerate in the next 5 years, and this population will start to decline by 2004. As a result, the industry is unlikely to sustain the rapid growth it has experienced since 1972.

Table 1: Selected factors affecting demand for day care, by age group

Age group	Resident U.S. population in 1994 (thousands)[1]	Percent growth in population, 1972-94[1]	Percent using day care centers as primary arrangement, 1990[2]	Age group's enrollment as a percentage of total day care enrollment, 1990[3]	Percent of mothers who were employed[4]	
					in 1975	in 1993
Under 3	11,705	17.2	12.0	22	28.3	49.0
3 to 5	11,906	15.8	29.1	52	39.6[5]	58.3[5]
Under 6	23,611	16.5	20.6	74	33.2	52.3
6 to 9	14,975	-3.0	9.1	21	NA	NA
Under 10	38,586	8.2	15.9	96	NA	NA

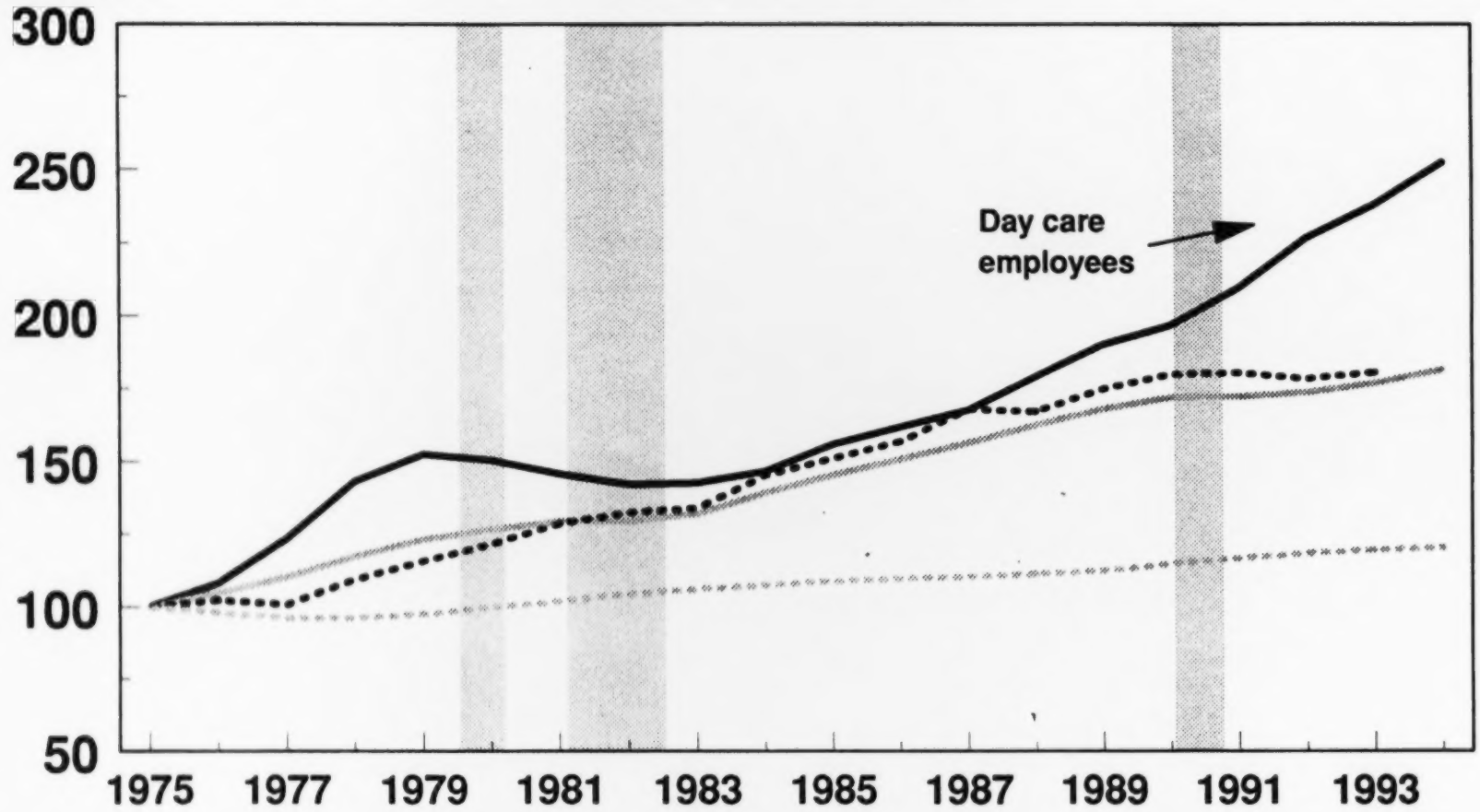
[1]Source: Bureau of the Census P-25 series of publications and PPL-21.
[2]Calculated from percentages in *National Child Care Survey, 1990*, p. 31, and up-to-date population weights.
[3]Calculated from percentages in preceding column and up-to-date population weights.
[4]Source: Current Population Survey.
[5]These mothers had no children under 3.

"NA" indicates data not available.

Table 2: Employment in child day care services and related statistics, 1972-94

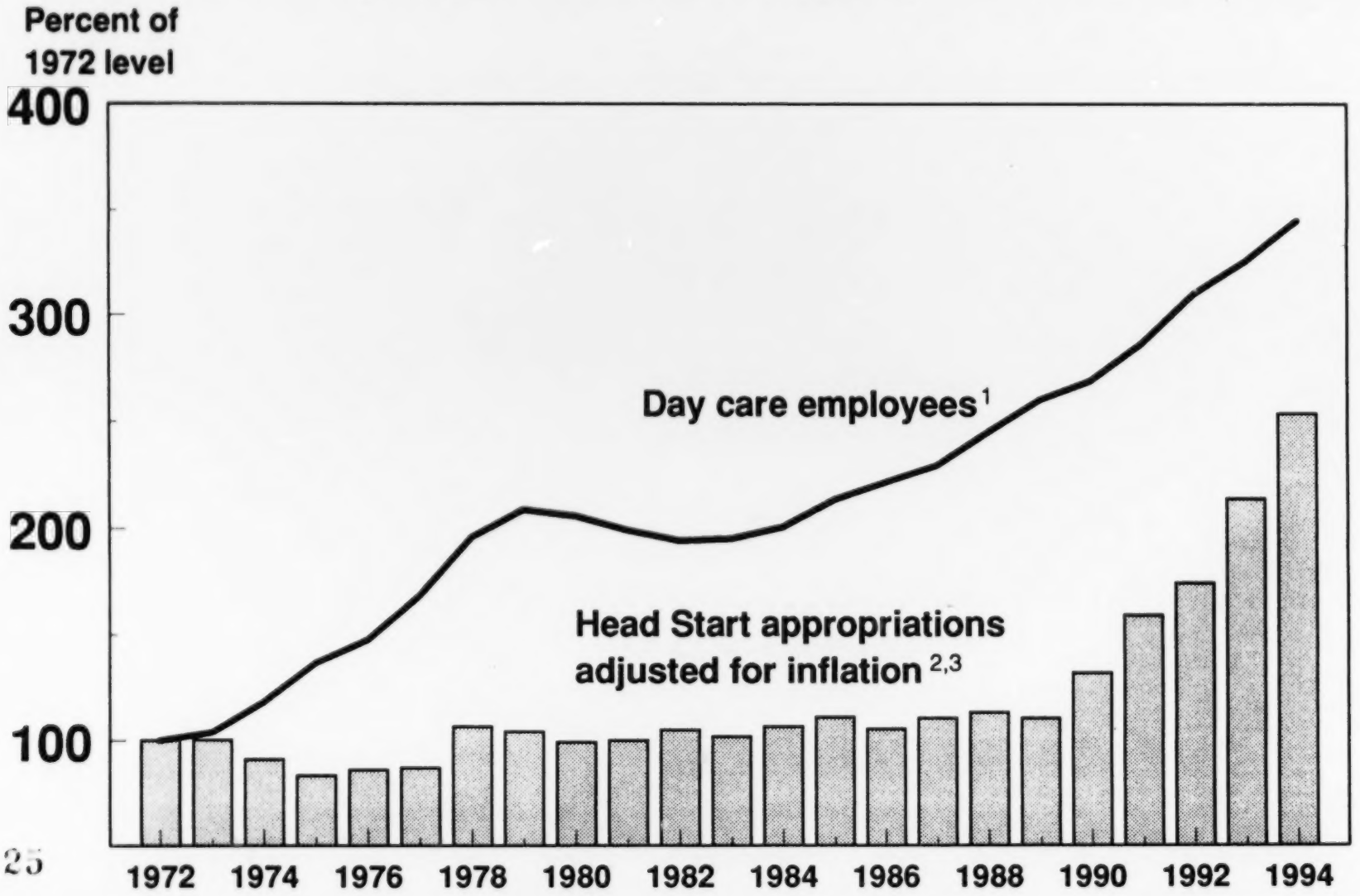
YEAR	Employment in child day care industry (thousands)	Population under 6 years old (thousands)	Ratio of employed women to all women (percent)	Working mothers of children under 6 (thousands)	Percent employed among mothers of children under 6	Enrollment in Project Head Start (thousands)
1972	145.5	20,570	41.0			379
1973	151.0	20,248	42.0			379
1974	172.0	19,937	42.6			353
1975	198.9	19,667	42.0	4,851	33	349
1976	214.6	19,251	43.2	4,957	35	349
1977	245.2	18,898	44.5	4,887	36	333
1978	284.8	18,891	46.4	5,297	39	391
1979	303.1	19,155	47.5	5,594	41	388
1980	298.9	19,631	47.7	5,886	42	376
1981	289.8	20,022	48.0	6,227	44	387
1982	282.4	20,502	47.7	6,414	43	396
1983	283.8	20,843	48.0	6,489	43	415
1984	291.7	21,092	49.5	7,043	46	442
1985	310.0	21,360	50.4	7,322	48	452
1986	321.9	21,531	51.4	7,602	48	452
1987	333.4	21,662	52.5	8,137	51	447
1988	356.3	21,822	53.4	8,104	51	448
1989	378.4	22,067	54.3	8,478	53	451
1990	391.4	22,528	54.3	8,732	54	541
1991	417.2	22,897	53.7	8,758	53	583
1992	450.8	23,224	53.8	8,662	53	621
1993	473.4	23,479	54.1	8,764	53	714
1994	501.9	23,611				

Chart 1: Employment in day care outpaces basic demand factors by far . . .



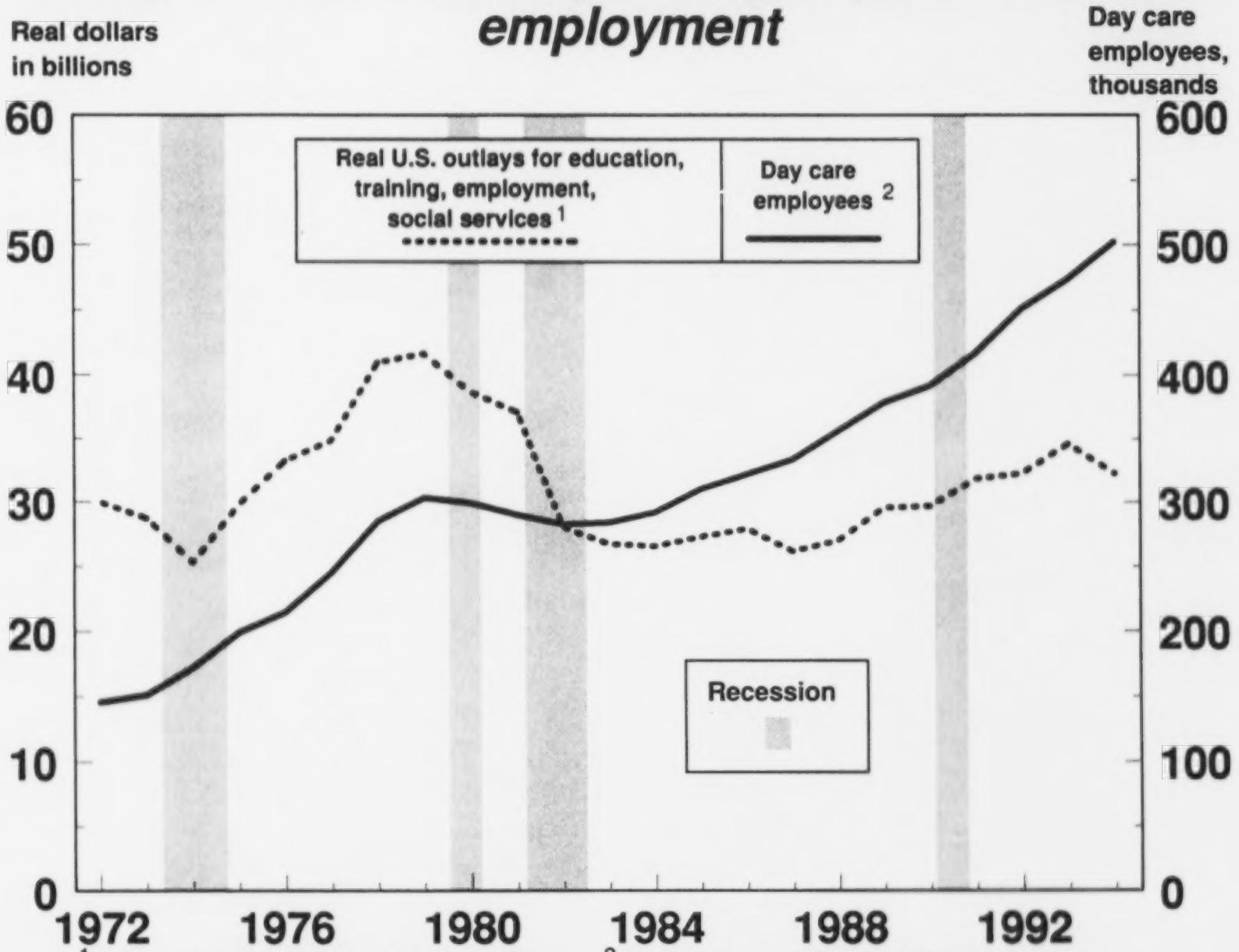
[1] Source: Current Employment Statistics Program
[2] Source: Current Population Survey. These mothers have no children under 3.
[3] Source: Bureau of the Census P-25 series of publications

Chart 2: Increasing real appropriations for Head Start add to private-sector employment in child care



[1] Source: Current Employment Statistics Program
[2] Source: U.S. Department of Health and Human Services
[3] Deflated by the 1982-84-based CPI-U

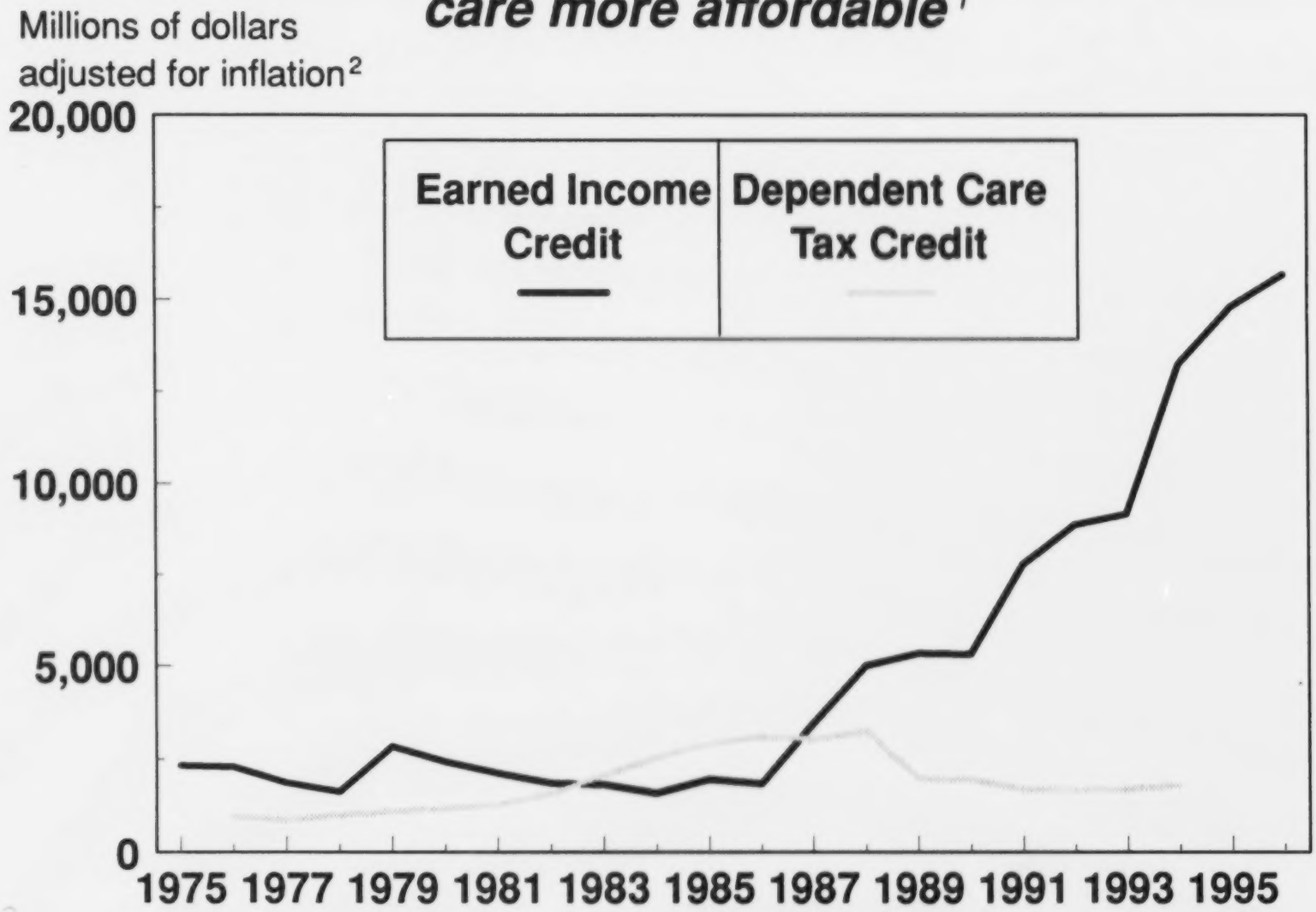
Chart 3: U.S. social spending impacts day care employment



[1] Source: U.S. Office of Management and Budget. Deflated by CPI-U, base period 1982-84.

[2] Source: Current Employment Statistics Program

Chart 4: Increasing amounts claimed under Earned Income Credit and Dependent Care Tax Credit make day care more affordable[1]



[1] Amounts for the Earned Income Credit are projected in 1992-96 and are preliminary in 1991. For the Dependent Care Tax Credit, amounts for 1991 and 1992 are preliminary and amounts for 1993 and 1994 are projected.

[2] Deflated by the CPI-U, base period 1982-84.

Source: Joint Committee on Taxation